ANNUAL 2000 REPORT

Ventus

ENERGY LTD.

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Corporate Profile

Ventus Energy Ltd. is an oil and gas exploration and development company with operations focused exclusively in the Western Canadian Sedimentary Basin. The Company's head office is located in Calgary, Alberta, Canada and its common shares trade on The Toronto Stock Exchange under the symbol "VTU".

ANNUAL MEETING

The Annual General Meeting of shareholders will be held at 3:00 p.m. on Tuesday, June 26, 2001 in the Devonian Room of the Petroleum Club, Calgary, Alberta, Canada.
Shareholders who are unable to attend this meeting are requested to complete and return their proxies to Computershare Investor Services.

Given the continuing strong outlook for natural gas prices, Ventus has adopted the more typical international convention of calculating barrel-of-oil-equivalent (BOE) numbers based upon the conversion of 6,000 cubic feet of natural gas per one barrel. Unless otherwise indicated, all numbers in this annual report are based upon this 6:1 conversion ratio.

Highlights

	Twelve months ended December 31		
	2000	1999	% Change
DAILY PRODUCTION			
Crude oil & NGLs (bbls/d)	4,633	2,600	78
Natural gas (mcf/d)	31,628	5,935	433
Oil equivalent (boe/d 6:1)	9,904	3,589	176
Oil equivalent (boe/d 10:1)	7,796	3,194	144
Boe/d per million shares (6:1)	442	248	78
Boe/d per million shares (10:1)	348	221	57
AVERAGE WELLHEAD PRICES			
Crude oil & NGLs ($/bbl)	42.62	26.59	60
Crude oil hedging ($/bbl)	(7.16)	(2.57)	-
Natural gas ($/mcf)	5.38	3.23	67
Natural gas hedging ($/mcf)	(0.60)	(0.15)	-
Oil equivalent after hedging ($/boe 6:1)	31.85	22.49	42
Oil equivalent after hedging ($/boe 10:1)	40.46	25.28	60
FINANCIALS			
Production revenue after hedging ($000s)	115,452	29,464	292
Cash flow from operations ($000s)	60,449	16,370	269
Per share ($) - basic	2.69	1.13	138
- fully diluted	2.51	1.03	144
Cash flow netback ($/boe 6:1)	16.68	12.50	33
Cash flow netback ($/boe 10:1)	21.18	14.04	51
Net income ($000s)	21,004	7,891	166
Per share ($) - basic	0.94	0.55	71
- fully diluted	0.88	0.50	75
Return on equity (%)	18	19	-
Capital expenditures ($000s)	204,230	109,044	87
COMMON SHARES (000s)			
Weighted average - basic	22,433	14,460	55
Weighted average - fully diluted	24,325	16,127	51
Total outstanding	30,456	17,388	75

highlights

Corporate Milestones

Ventus was created in the fall of 1998 through a reorganization of Gopher Oil and Gas Company Ltd. Ventus has grown dramatically since that time through acquisitions, exploitation and low risk exploration. Since inception, Ventus has increased production from 820 boe per day in fourth quarter 1998 to 12,565 boe per day in fourth quarter 2000.

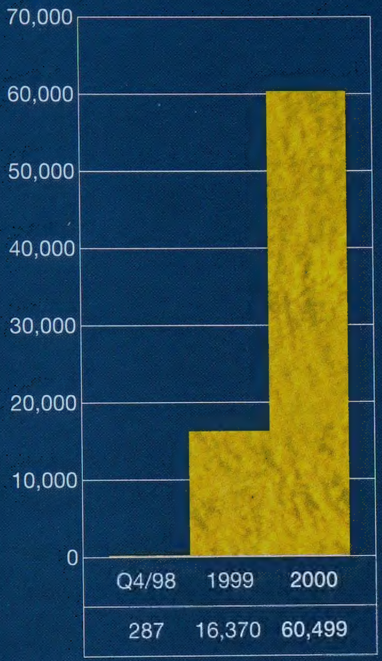
The Company initially focused on acquiring and exploiting high netback oil properties during a period of low oil prices. In late 1999, Ventus added a natural gas program focusing on long-life, shallow gas reserves. Today, natural gas accounts for 66 percent of reserves on a boe basis.

In August 2000, Ventus dramatically increased its presence in its Northern core area through a business combination with Edge Energy Inc. This transaction added 3,600 bbls per day of light oil production, 17 mmcf per day of natural gas production and 285,550 net acres of undeveloped land.

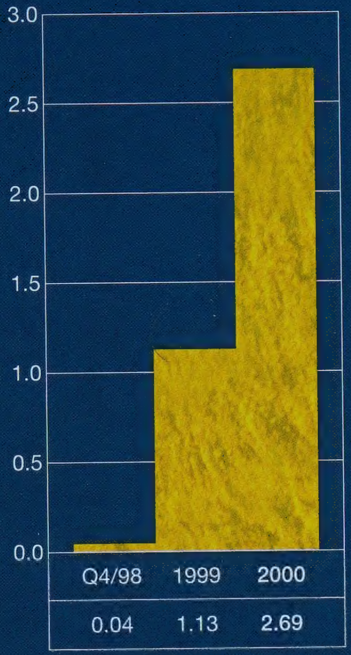
Property overlap and operating synergies in the Rainbow area were the principal rationale for the transaction.

The common shares of Ventus were listed for trading on the TSE in July 2000.

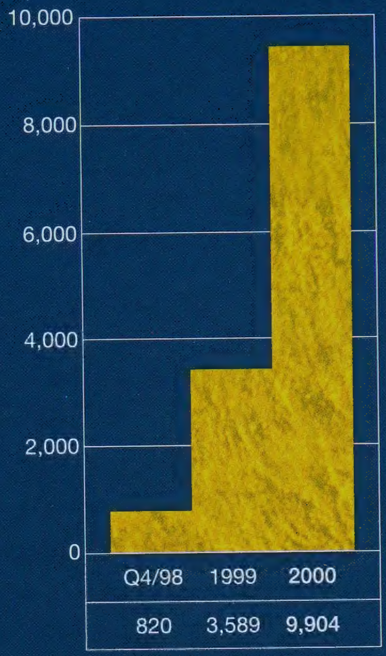
milestones



CASH FLOW ($000)

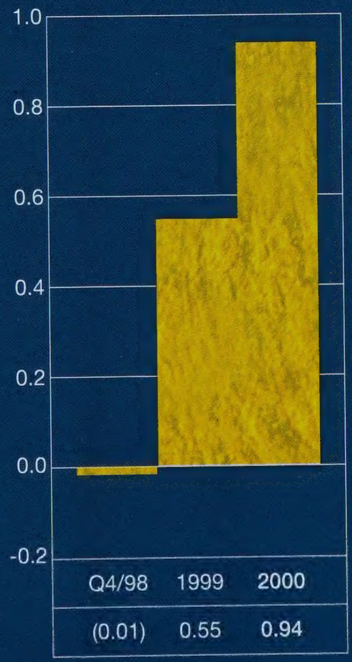


CASH FLOW PER SHARE ($)(basic)

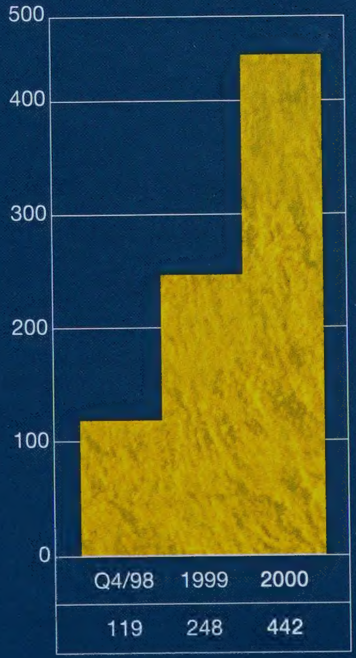


PRODUCTION (boe per day) (6:1)

NET INCOME ($000)



NET INCOME PER SHARE ($)(basic)



BOE/D PER MILLION SHARES (6:1)

Message to Shareholders

ACHIEVEMENTS

In 2000, Ventus dramatically increased reserves and production while focusing and strengthening the Company's competitive advantage in its two core growth regions. Proved reserves increased 91 percent, from 22.6 mmboe to 43.1 mmboe. Growth in production was even more pronounced with average daily volumes increasing 176 percent, from 3,589 boe per day to 9,904 boe per day. This growth provided the Company with greater resources and stronger positioning for continued expansion of its major properties. It also created significant value for our shareholders in 2000, which is clearly illustrated by the Company's 78 percent increase in production per share and 18 percent return on equity for the year. Aided by strong commodity prices, the growth in cash flow per share was even more dramatic, increasing 138 percent from $1.13 to $2.69. Although the Company's share price lagged the overall market through much of 2000, we have begun to see these strong fundamentals reflected with an increase of over 40 percent since the beginning of 2001.

HIGHLIGHTS

Ventus undertook a very active acquisition and property rationalization program in 2000 as well as an active drilling program. The most significant transaction, a merger with Edge Energy which closed on August 11, 2000, added 3,600 bbls per day of light oil production, 17 mmcf per day of natural gas production and 285,550 net acres of undeveloped land. The principal reasons for the business combination included property overlap and operating synergies in the Rainbow area. By combining the companies' production and drilling prospects at Rainbow, the merger significantly increased the value of both sets of assets. The expected operating synergies were demonstrated in the Company's recently completed winter drilling program, when Ventus achieved capital cost savings by carrying out a combined drilling program at Zama Lake and Sousa. Also, the facilities on these two properties were rationalized and expanded to accommodate new production from the winter program. This rationalization will result in lower ongoing operating costs than if the assets were operated separately.

Subsequent to the business combination, Ventus undertook a property rationalization program, which dramatically focused operations and reduced net debt from $157.7 million at the end of the third quarter to $84.8 million at year-end. In total, Ventus raised $57.7 million through the sale of non-core properties and spent $19.3 million acquiring additional properties in its core areas during 2000.

OPPORTUNITIES

Ventus' capital and property rationalization activity in 2000 has positioned it for further profitable growth. The Company has over 500 thousand acres of undeveloped land in its two core areas and has identified a drilling inventory of over 1,500 shallow Bluesky/Gething gas wells and 33 Keg River oil wells. In addition, the current undeveloped land base provides numerous exploration opportunities which will expand the drilling inventory over time. Substantial exploration upside exists for Ventus through its joint venture agreement with the Gift Lake Metis Settlement and its partially owned operating company, RESCO. This agreement gives Ventus exclusive access to over eight townships of highly prospective lands which have been essentially unavailable for oil and gas drilling over the last 25 years. During this timeframe, the settlement lands were offset by a number of highly prolific Devonian oil fields and Mississippian gas fields. Ventus has drilled four exploratory wells at Gift Lake, which resulted in two Mississippian gas discoveries. Appraisal and development of these discoveries will commence this summer, with full development planned for the coming winter.

YEAR 2001 - A STRONG START

Ventus has just completed its 2000/2001 winter capital program, which included the drilling of over 230 wells and construction or expansion of related facilities. This program has been very successful, adding over 6,000 boe per day of productive capability. Ventus' prospect inventory is principally comprised of more of the same type of opportunities, which will benefit from the substantial construction and expansion of infrastructure that occurred as part of the winter program.

INDUSTRY AND MARKET CONDITIONS

Commodity prices continued to show great strength in 2000, resulting in record levels of cash flow for the Canadian oil and gas industry. These record cash flows helped to support expanded capital programs and to strengthen balance sheets throughout most of the industry to the point where many companies found themselves "cash rich" and "opportunity poor".
At the same time equity markets continued to reflect historically low valuation levels for oil and gas companies. This was compounded by a broad discrepancy between the valuation levels of large companies versus junior- and intermediate-sized companies, with the larger companies receiving significantly higher valuation levels. The combination of high industry cash flows and substantial valuation discrepancies has resulted in a very dramatic consolidation of the industry, which has continued into 2001.

shareholders

OUTLOOK

Ventus enjoyed a year of dramatic growth and profitability in 2000 while creating a base for continued profitable growth. The Company has a large inventory of development and low-risk exploration opportunities available to drive growth over the next several years. Our technical and management teams are comprised of highly capable, experienced individuals that have a proven track record of value creation. With our large inventory of growth prospects and the continued commitment of our staff, the Company's future has never been brighter. We thank the staff of Ventus for their outstanding efforts and continued support.

On March 9, 2001 the Board of Directors announced that it had established a Special Committee to review alternatives to maximize value for Ventus shareholders. Alternatives to be considered will include a sale, merger, or corporate restructuring of Ventus, sale of assets or continuation of the current growth plans. This action was taken in response to the continued low valuation level applied to the Ventus shares and the rapid consolidation underway in the industry. The Board of Directors expects the review to be completed in the month of May and will report to shareholders by way of a press release when appropriate.

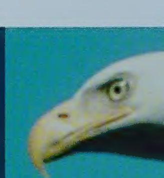
On behalf of the Board of Directors,

Kenneth L. McNeill
Chief Executive Officer

Kevin A. Bennett
President and Chief Operating Officer

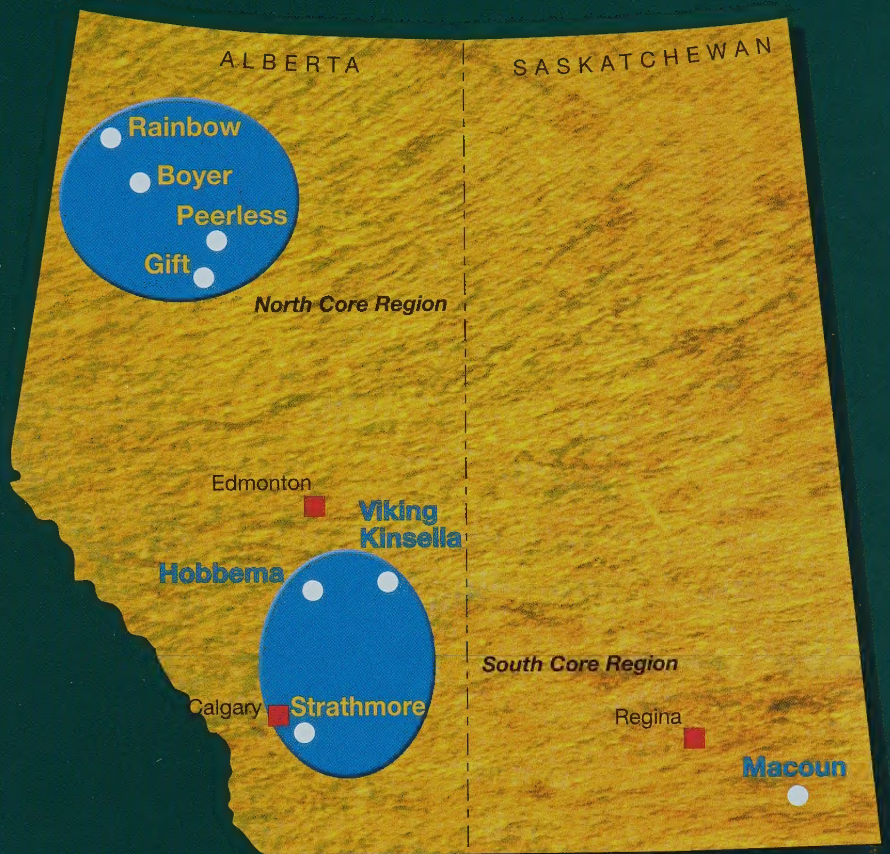
Mark D. Behrman
Executive Vice President
and Chief Financial Officer

May 5, 2001



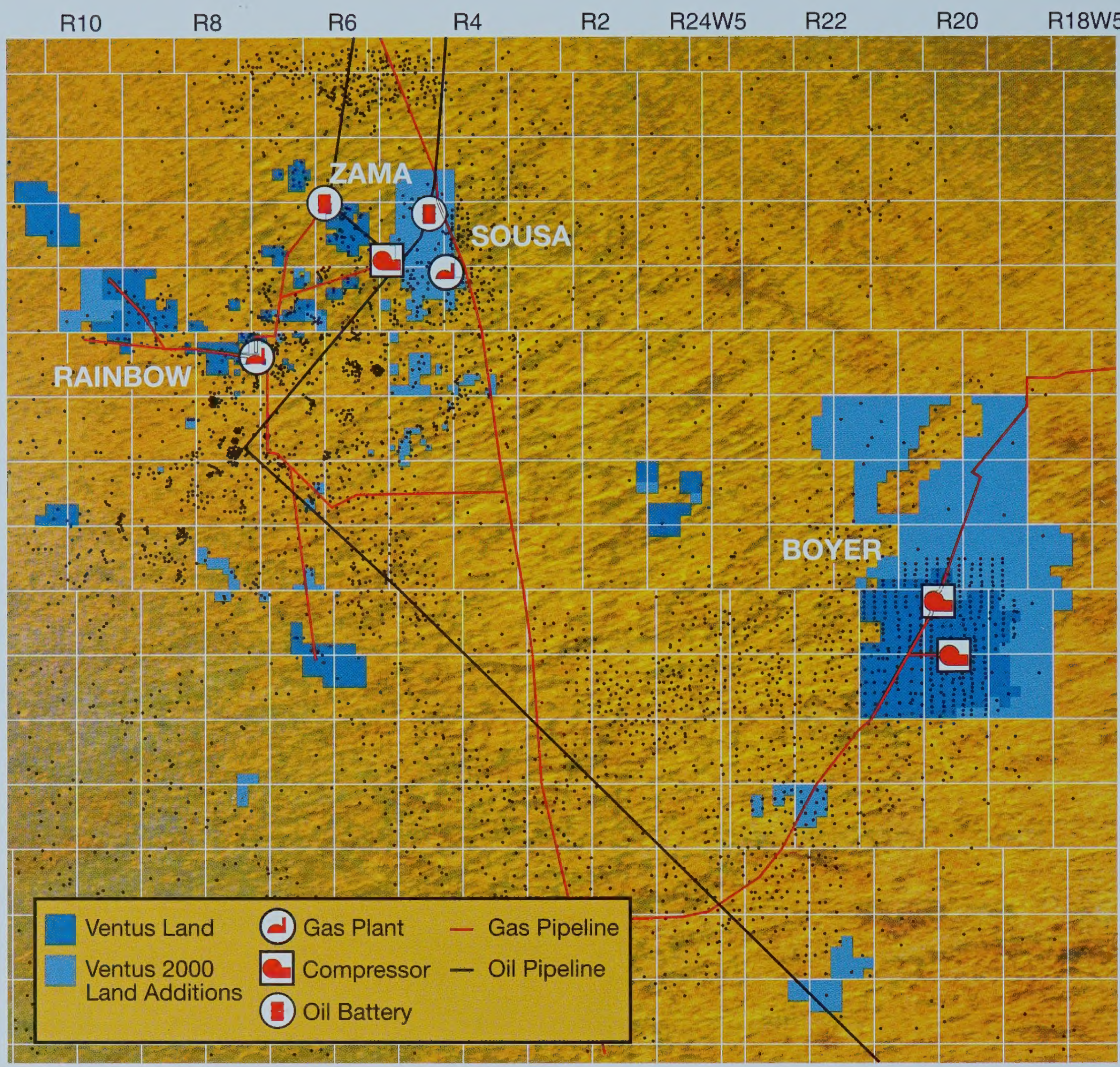
Operations Review

Ventus' operations are focused in two core regions in the province of Alberta. The following table provides an overview of each region, including 2000 activities. The "other" properties category is comprised of non-core assets, which were sold in 2000 and early 2001.



	Northern	Southern	Other	Total
Wells drilled in 2000 (gross/net)	82/73	34/23	19/16	135/112
2000 average production:				
Natural gas (mmcf/d)	11.9	12.3	7.4	31.6
Oil & NGL (bbls/d)	3,305	786	542	4,633
December 2000 average production:				
Natural gas (mmcf/d)	11.3	15.9	9.1	36.3
Oil & NGL (bbls/d)	4,061	1,575	458	6,094
Net undeveloped land (acres)	418,162	99,409	66,450	584,021

operations



Northern Areas

Northern Region

The Northern Region consists of three main producing areas: Zama/Sousa/Rainbow, Boyer, and Peerless/Seal and an exploration area at Gift. In the Zama/Sousa/Rainbow area, light oil is produced from the Keg River zone and gas is produced from the Slave Point and shallow Bluesky/Gething zones. In the Boyer area, gas is produced from the shallow Bluesky zone and in the Peerless/Seal area, oil is produced from the Keg River and Slave Point zones while gas is produced from the Bluesky zone.

Ventus completed two major acquisitions during 2000 and an aggressive development program that significantly increased the production and undeveloped land base in the Northern Region. The merger with Edge Energy in August 2000 added significant acreage and production at Sousa, directly east of the Zama property. In December 2000, Ventus completed a property acquisition that added production, land, and infrastructure, complementing an expanding presence in the area.

Production from the Northern Region averaged 5,291 boe per day in 2000 compared to 2,735 boe per day in 1999. Operating costs averaged $5.03 per boe for the year. During 2000 a total of 82 (73.3 net) wells were drilled, resulting in 11.3 net oil and 60.0 net gas wells for a success rate of 97 percent. At year-end, Ventus controlled 589,284 net acres of land, of which 71 percent was categorized as undeveloped.

ZAMA

During 2000, Ventus continued to develop the 100 percent working interest Zama property, drilling both horizontal oil wells and vertical gas wells. Production averaged 1,937 boe per day during 2000 compared to 1,024 boe per day in 1999. The property produces high quality light oil (40° API) from the Keg River formation and gas from the Slave Point/Sulphur Point and Bluesky zones.

During 2000, Ventus drilled four horizontal Keg River oil wells, one Sulphur Point gas well, one dual Sulphur Point/Slave Point gas well and one Bluesky gas well. Ventus also completed a battery upgrade at its operated 4-32-112-6W6M facility.

During the first quarter of 2001, the Company drilled four horizontal oil wells, one vertical oil well, and six shallow Bluesky gas wells and completed a significant expansion of the oil and gas producing infrastructure. All new wells were on production as of the end of April 2001, adding over 1,000 bbls of oil per day and 4.5 mmcf per day of gas.

SOUSA

The Sousa property, which was acquired through the merger with Edge Energy, added over 37,600 net acres of undeveloped land to the Northern Region at close to 100 percent working interest. The entire Sousa land block is covered by a three-dimensional seismic survey which has proven to be extremely valuable in identifying drilling locations for both oil and gas. Production averaged 229 boe per day during 2000 compared to no production during 1999. Ventus produces high quality light oil (40° API) from the Keg River formation and gas from the Slave Point and Bluesky/Gething formations.

During 2000, Ventus drilled five Keg River oil wells, one Slave Point gas well, and four Bluesky/Gething gas wells. In late 2000 and early 2001, Ventus acquired additional production and land in the area which included an oil battery at 15-25-112-5W6M and a gas plant at 12-31-111-5W6M.

Development activity in the first quarter of 2001 included 11 oil wells, one side-track vertical oil well, and 11 shallow Bluesky/Gething gas wells. A significant expansion of the oil and gas producing infrastructure was completed with all new wells expected to be on production in the second quarter 2001. The winter program resulted in 1,600 bbls of oil per day and 8.5 mmcf per day of new production.

RAINBOW

Production in the Rainbow area is light oil from the Keg River, and gas from the Slave Point and Bluesky formations. During 2000, Ventus continued to expand in the Rainbow area with the acquisition of the prolific Rainbow Keg River U pool and other interests in the area. Ventus operates oil batteries at 13-6-111-6W6M and 9-17-109-5W6M. Production averaged 664 boe per day during 2000 compared to 86 boe per day in 1999.

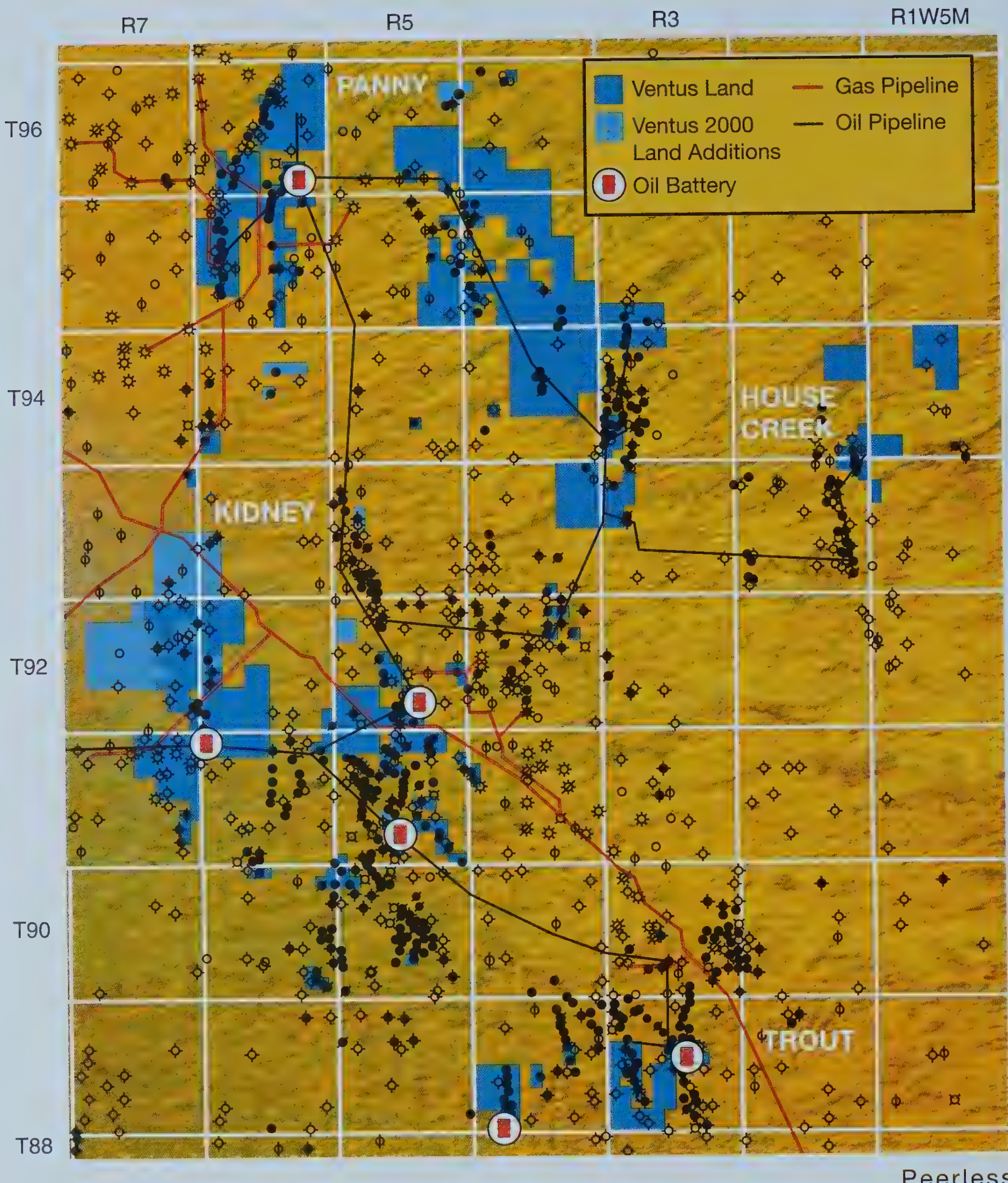
During the first quarter of 2001, two horizontal oil wells were drilled in the U pool, resulting in new production of 500 bbls of oil per day.

BOYER

During 2000, the Boyer property saw significant growth in production and undeveloped land holdings. In the first quarter of 2000, Ventus drilled 50 infill wells and in the third quarter acquired over 92,800 net acres of land. Production increased from an average of 1.6 mmcf per day in 1999 to 7.8 mmcf per day during 2000.

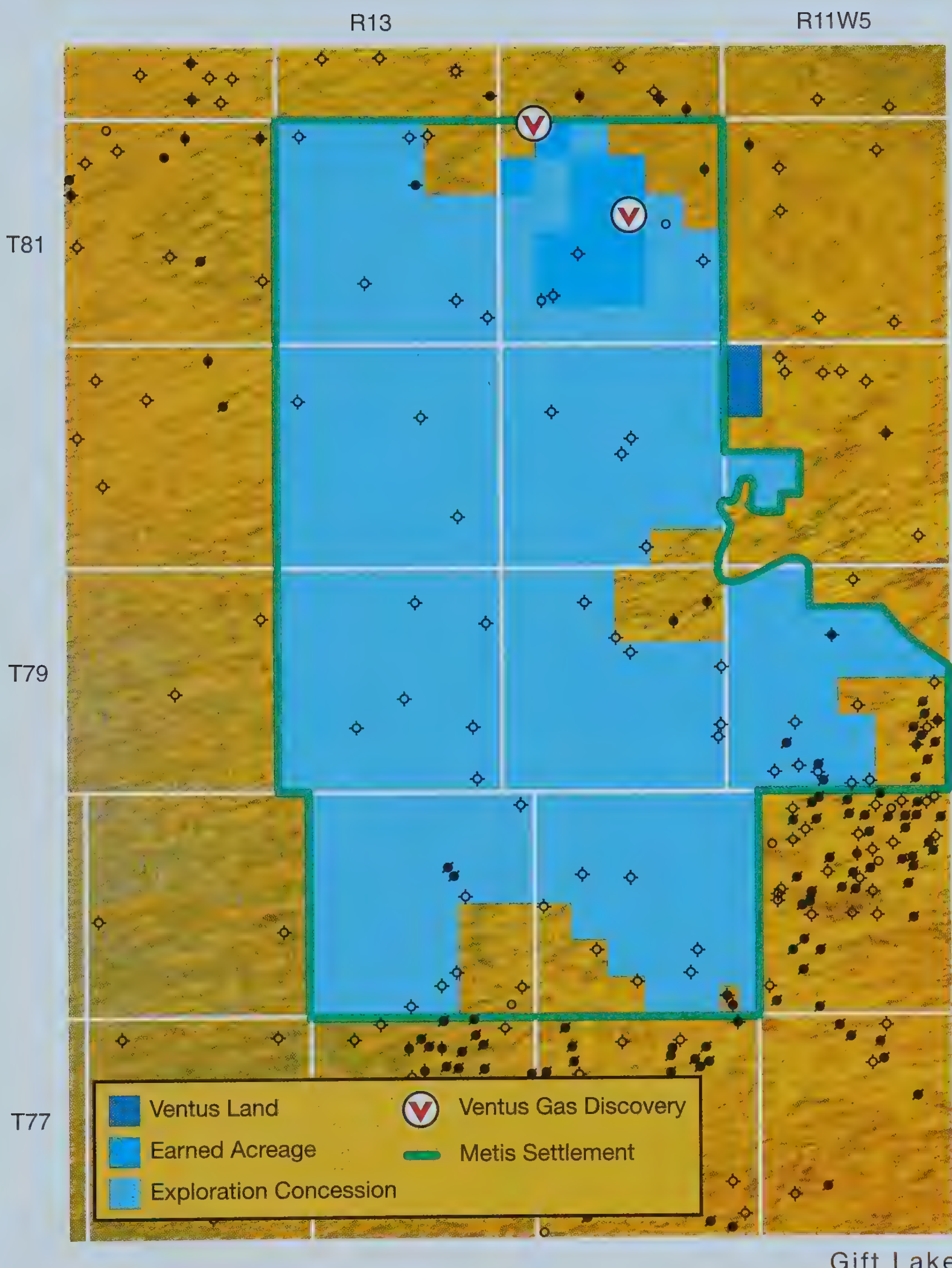
The Boyer property produces sweet gas from the shallow Bluesky formation at a depth of 250 metres. The Bluesky formation is an extensive sand deposit that underlies the twelve townships of land Ventus controls at working interests between 50 percent and 100 percent. Boyer is a shallow decline, low deliverability gas property that is currently drilled on 320 acre spacing (two wells per section). Ventus has identified three years of further development drilling, with up to four wells per section, to access the estimated 850 bcf of gas in place on the property.

During the first quarter of 2001, Ventus drilled 38 infill wells on its 100 percent lands. On the newly acquired lands (50 percent working interest), Ventus drilled 10 wells in Q4 2000 and 130 wells in Q1 2001 for a total of 140 wells on 320 acre spacing and constructed a 10 mmcf per day (5 mmcf per day net) compression facility. All new wells were tied in and on production by the end of April 2001, bringing the Company's total production from the area to 13.5 mmcf per day.



PEERLESS/SEAL

The Peerless/Seal area consists of five properties: Trout, Kidney, Panny, House Creek, and Seal, that produce high quality light oil (40° API) from the Keg River and Slave Point formations and gas from the shallow Bluesky formation. Production from the Peerless/Seal area averaged 1,173 boe per day during 2000 compared to 1,360 boe per day in 1999. The production decline reflects the sale of low working interest production during the year. During 2000, Ventus drilled a total of nine (5.3 net) wells in the Peerless/Seal area, resulting in 2.3 net oil and 1.0 net gas wells for a success rate of 77 percent. Ventus shot a 17 square kilometre, three-dimensional seismic program in the Kidney area to extend the current productive trend. During the first quarter of 2001, Ventus drilled one oil well and two gas wells at Peerless.



GIFT

At Gift Lake, an agreement with the Gift Lake Metis Settlement allows Ventus access to over eight townships of highly prospective lands for shallow Mississippian gas and deeper Devonian oil. The settlement lands, which are offset by prolific oil and gas producing fields in the Slave, Seal, Dawson, Gift/Little Horse, and Nipisi areas, are an evolving exploration project for the Company.

During 2000, Ventus shot 45.5 kilometres of seismic in the Gift area and finalized a number of exploration drilling locations.

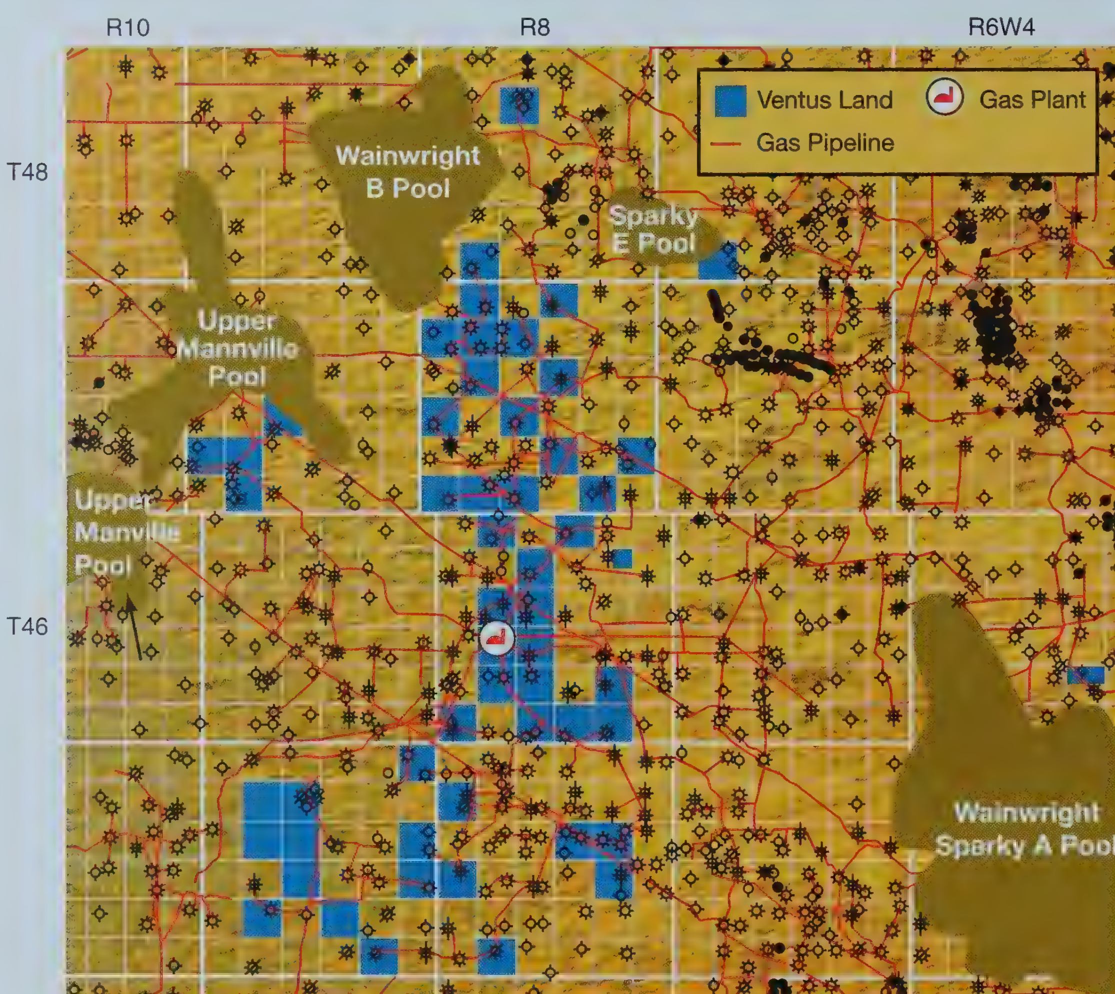
During the first quarter of 2001, Ventus drilled four exploration wells at Gift resulting in two Mississippian gas discoveries. Appraisal and development of these discoveries will commence this summer with full development planned for the coming winter.

Southern Region

The Southern Region consists of four main producing properties at Viking Kinsella, Strathmore, Hobbema and Macoun.

Production from the Southern Region averaged 2,838 boe per day for 2000 compared to 488 boe per day in 1999. Operating costs averaged $4.26 per boe for the year. Non-core producing properties, contributing 1,773 boe per day, were disposed of during the later part of 2000 and early 2001. At year-end, Ventus had control of 146,811 net acres of land, of which 68 percent was categorized as undeveloped.

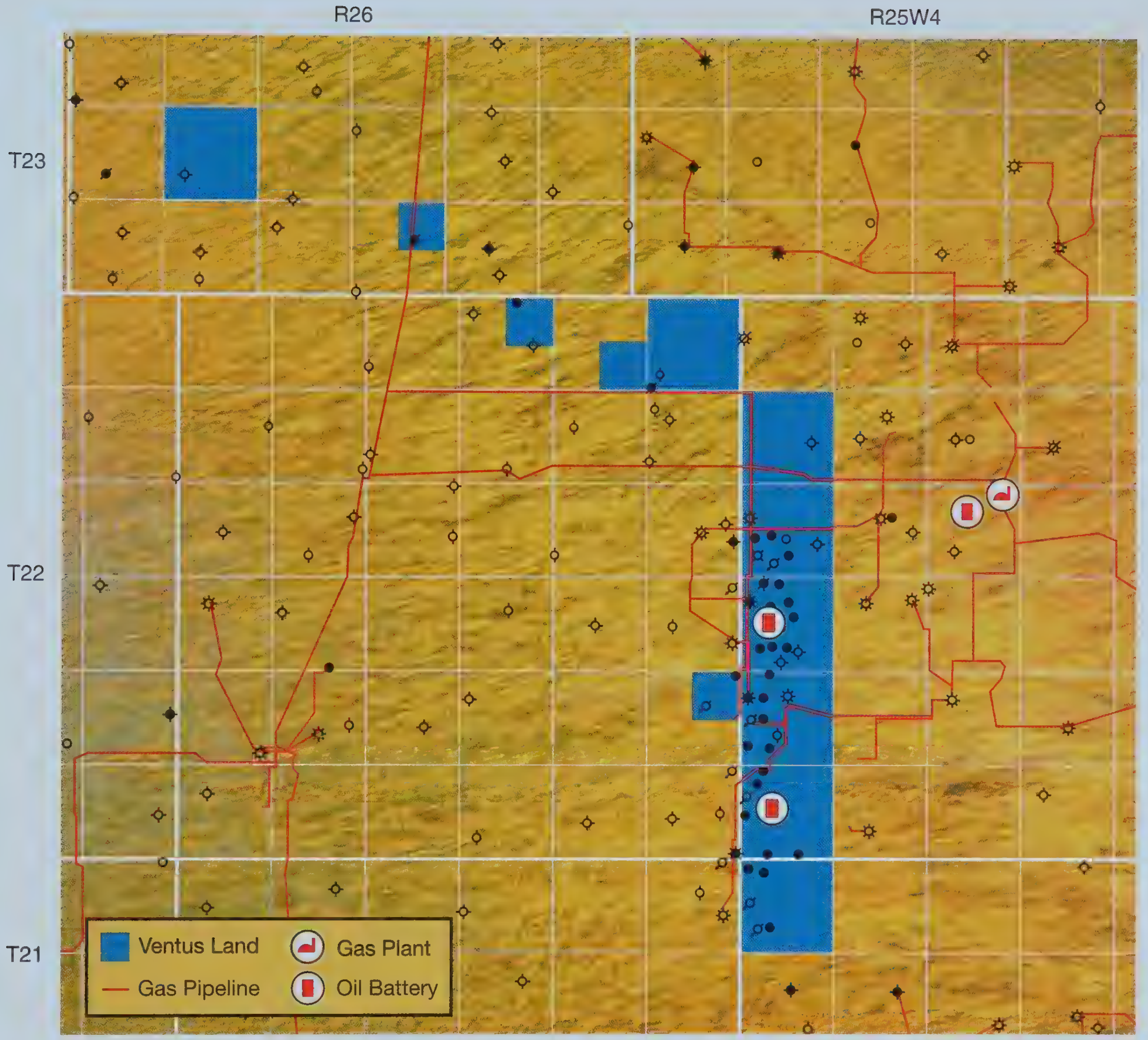
During 2000 a total of 34 wells (22.5 net) were drilled, resulting in 6.0 net oil and 15.5 net gas for a success rate of 96 percent.



Viking Kinsella

VIKING KINSELLA

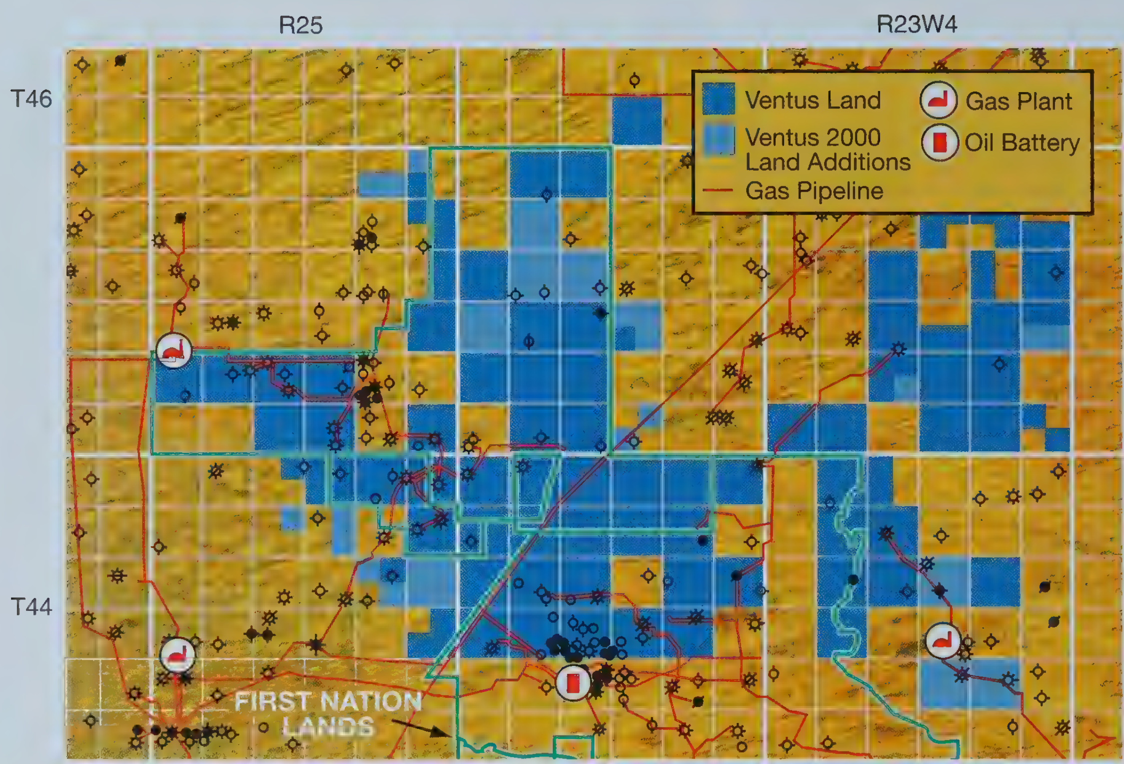
At Viking Kinsella, Ventus' working interests average 69 percent. Gas is produced from the Devonian Nisku and Cretaceous sand formations. Ventus operates an extensive gas gathering system and gas plant on the property. During 2000, Ventus drilled eight (8.0 net) wells, resulting in 8.0 net gas wells for a 100 percent success rate. Plans for 2001 include drilling up to eight gas wells.



Strathmore

STRATHMORE

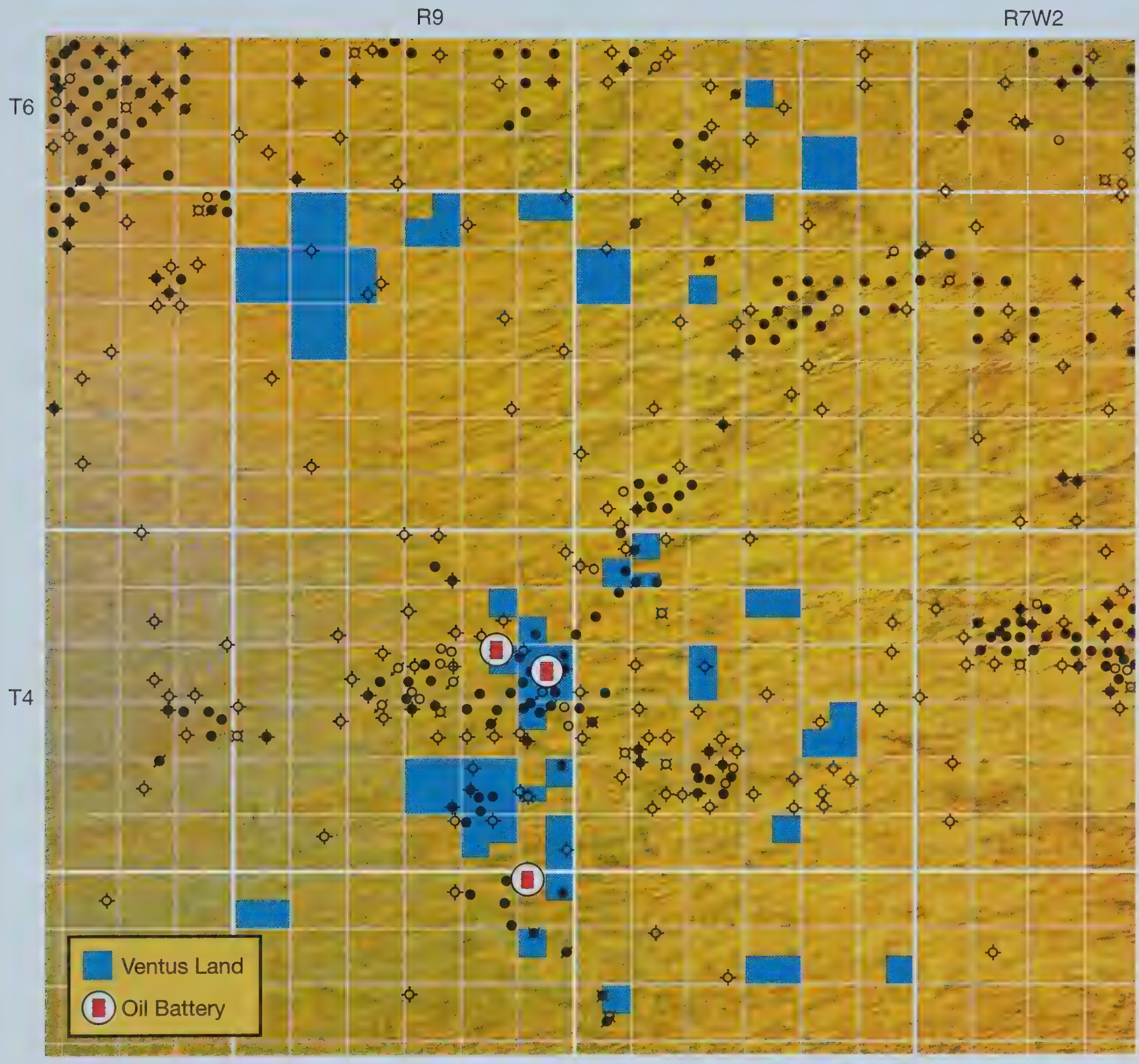
The Strathmore property consists of a 100 percent working interest Ellerslie oil pool. Ventus is currently optimizing an existing waterflood and de-bottlenecking the infrastructure to optimize production from the pool. During 2000, Ventus drilled a total of three (3.0 net) wells, resulting in 2.0 net oil wells and 1.0 net gas well for a success rate of 100 percent. Plans for 2001 include drilling up to six oil wells.



Hobbema

HOBBEMA

At Hobbema, Ventus has a 50 percent working interest and produces oil and gas from the Ellerslie formation and gas from the Glauconitic and Edmonton zones. Ventus has over 8,081 net acres of undeveloped land with the majority covered by a three-dimensional seismic survey. During 2000 a total of 23 (11.5 net) wells were drilled, resulting in 4.5 net oil and 6.5 net gas wells for a success rate of 96 percent. Plans for 2001 include drilling up to 13 gas and 10 oil wells.



Macoun, Saskatchewan

MACOUN, SASK

The Macoun property, located in southeast Saskatchewan, represents Ventus' only non-Alberta production. Ventus has a 100 percent working interest in the property which was acquired through the Edge Energy merger. During 2000, the property produced 157 boe per day net to Ventus.

The Macoun property produces light oil from the Winnipegosis formation which is equivalent to the Keg River formation in Alberta. The pool has been developed with vertical wells. Analogous offset pools have shown that continued development with horizontal wells is an effective tool for maximizing recovery. Plans for 2001 include one vertical development well and up to three horizontal re-entry wells to continue development of this pool.

BUSINESS COMBINATION WITH EDGE ENERGY INC.

The merger with Edge was closed on August 11, 2000. Substantial property overlap and operating synergy in the Rainbow area were the principal reasons for the business combination which added 3,600 bbls per day of light oil production, 17 mmcf per day of natural gas production and 285,550 net acres of undeveloped land. Ventus' recently completed winter drilling program in Rainbow benefited greatly from this synergy and confirmed the strategic rationale for the combination.

The business combination was accounted for using the purchase method of accounting. The total purchase price was $161.5 million, comprising 62 percent of gross capital spending in 2000. The purchase price was financed through the issuance of 11,876,977 common shares valued at $7.32 per share and the assumption of Edge's $74.5 million of net financial liabilities and transaction costs.

Subsequent to closing the business combination, the Company completed a property rationalization program, which dramatically focused operations and reduced net debt from $157.7 million at the end of the third quarter to $84.8 million at year- end. In total, Ventus raised proceeds of $57.7 million through the sale of non-core properties and spent $19.3 million to acquire additional property interests in its core areas during 2000.

UNDEVELOPED LAND

During 2000, Ventus substantially increased both the size and quality of its undeveloped landholdings. Net undeveloped land increased 56 percent from 374,000 acres at the end of 1999 to 584,000 acres at the end of 2000. The average working interest held by Ventus in its undeveloped acreage increased from 71 percent to 76 percent over the same period. This undeveloped land base provides the Company with a substantial, multi-year drilling prospect inventory, which is capable of providing substantial growth over the next two to three years.

An independent evaluation of the Company's undeveloped lands at year-end 2000, prepared by Seaton-Jordan & Associates Ltd. and dated March 15, 2001 values the undeveloped lands at $41.3 million.

UNDEVELOPED LANDHOLDINGS

Core Region	Gross (acres)	Net (acres)	Average Interest	Value[1] ($ thousands)	Value[1] ($/acre)
Northern	517,381	418,162	81%	30,729	73
Southern	157,057	99,409	63%	6,184	62
Other	97,438	66,450	68%	4,412	66
Total	771,876	584,021	76%	41,325	71

[1] As per the independent evaluation of undeveloped lands as at December 31, 2000 prepared by Seaton-Jordan & Associates Ltd. dated March 15, 2001.

In addition to the undeveloped land noted above, Ventus has exclusive access to an additional 188,000 acres of undeveloped land on the Gift Lake Metis Settlement through a Joint Venture agreement with the Gift Lake Metis Settlement and RESCO, an operating oil and gas company partially owned by the settlement.

SEISMIC ACTIVITY

As at December 31, 2000, Ventus had 21,100 kilometres of two-dimensional seismic and 1,813 square kilometres of three-dimensional seismic with an estimated value of $36.9 million.

DRILLING ACTIVITY

During the year, Ventus participated in the drilling of 135 gross (112.0 net) wells resulting in 94 gross (81.8 net) gas wells and 27 gross (18.8 net) oil wells, achieving a success rate of 90 percent.

Ventus' average working interest in the 2000 program was 83 percent and the Company operated the drilling of 105 of these wells or 78 percent of its drilling program.

DRILLING ACTIVITY

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil	7	7.0	20	11.8	27	18.8
Gas	7	6.5	87	75.3	94	81.8
Dry	9	7.8	5	3.6	14	11.4
Total	23	21.3	112	90.7	135	112.0
Success ratio (net)	61%	63%	96%	96%	90%	90%
Average working interest	-	93%	-	81%	-	83%

PRODUCTION

Ventus' average daily production grew 176 percent, increasing from 3,589 boe per day in 1999 to 9,904 boe per day in 2000. Oil and NGL production increased 78 percent from 2,600 bbls per day to 4,633 bbls per day over the same period. Natural gas production averaged 31.6 mmcf per day in 2000, an increase of 433 percent over the 1999 rate of 5.9 mmcf per day. Increases were primarily attributable to development drilling at Zama Lake and the merger with Edge Energy.

RESERVES

In 2000, Ventus' proved reserves increased 91 percent from 22.6 mmboe to 43.1 mmboe, while proved and probable reserves increased 88 percent from 32.1 mmboe to 60.5 mmboe. On a boe basis, the proportion of reserves from natural gas increased to 62 percent of proved reserves and 66 percent of proved and probable reserves.

The reserves of Ventus' major oil and gas properties were evaluated by Paddock Lindstrom and Associates Ltd. as at December 31, 2000. The reserves of the minor properties were evaluated internally by the Company's engineers. The following tables summarize Ventus' total reserves as of December 31, 2000.

PETROLEUM AND NATURAL GAS RESERVES[1]

	Oil & NGLs (mbbls)	Natural Gas (mmcf)	Barrel of Oil Equivalent (mboe)
Proved producing	9,787	82,029	23,459
Proved non-producing/proved undeveloped	6,416	79,253	19,625
Total proved	16,203	161,282	43,083
Probable	4,558	77,068	17,403
Proved plus probable	20,761	238,350	60,486
Proved plus 1/2 probable	18,482	199,816	51,784

[1] Remaining recoverable reserves owned by the Company before deduction of royalties based upon escalated commodity pricing and cost assumptions.

PRESENT VALUE OF FUTURE CASH FLOWS

($ thousands) Before Tax Discounted at	0%	10%	15%	20%
Proved producing	454,948	281,690	245,392	220,062
Proved non-producing/proved undeveloped	347,399	192,927	156,831	131,908
Total proved	802,347	474,617	402,223	351,970
Probable	314,417	138,693	104,424	82,264
Proved plus probable	1,116,764	613,310	506,647	434,234
Proved plus 1/2 probable	959,555	543,964	454,435	393,102

The present values are calculated from projections of future cash flow based on estimates of future production, product prices, royalties, mineral taxes, operating expenses and capital costs. No allowance was made for income tax or the Saskatchewan Corporation Capital Tax Surcharge, however an allowance was made for Alberta Royalty Tax Credit based on continuation indefinitely of the current regulations. Financial hedging contracts were not incorporated into the evaluation although physical contractual sale arrangements are reflected. The reserve estimates are based on regulations, operating and economic conditions as at December 31, 2000 except for changes planned for the immediate future or in the process of implementation.

The Company cautions that the present values may vary materially from the fair market value of the Company's oil and gas properties. The present values do not include the fair market value of exploratory properties, the impact of income taxes or the effect of unforeseen changes in the regulatory, operating or economic conditions.

RESERVE EVALUATION ASSUMPTIONS

	WTI Oil ($US/bbl)	Exchange Rate $US/$Cdn	Light, Edmonton Crude Oil[1] ($/bbl)	Alberta Spot Gas[2] ($/mmbtu)
2001	27.00	0.66	39.91	7.20
2002	24.00	0.67	34.80	5.20
2003	23.00	0.68	32.78	4.73
2004	23.00	0.69	32.27	4.28
2005	23.46	0.70	32.43	4.29
Thereafter	[3]	0.70	[3]	[3]

[1] Edmonton oil price for 40° API crude containing 0.5% sulphur.

[2] Spot price is the Alberta wellhead price received through short-term direct sales.

[3] Crude and spot gas prices escalate at approximately 2 percent per year.

RESERVES RECONCILIATION

The following table sets forth a reconciliation of Ventus' reserves as at year-end 2000 against such reserves as at year-end 1999, based on escalating cost and price assumptions.

	Crude Oil & NGLs (mbbls)			Natural Gas (mmcf)			Barrel of Oil Equivalent (mboe)		
	Proved	Probable	Total	Proved	Probable	Total	Proved	Probable	Total
December 31, 1999	8,763	2,866	11,629	82,892	40,159	123,051	22,578	9,559	32,137
Additions	9,131	1,692	10,823	89,934	36,909	126,843	24,120	7,844	31,964
Production	(1,691)	-	(1,691)	(11,544)	-	(11,544)	(3,615)	-	(3,615)
December 31, 2000	16,203	4,558	20,761	161,282	77,068	238,350	43,083	17,403	60,486

RESERVE LIFE INDEX

The following table summarizes Ventus' reserve life index based on year-end reserves divided by annualized production for the fourth quarter of 2000.

	Fourth Quarter Average Daily Production	Reserve Life Index (Years) Proved	Reserve Life Index (Years) Proved + Probable
Oil & NGLs	6,232 bbls/d	7.1	9.1
Gas	37,996 mcf/d	11.6	17.2
Oil equivalent	12,565 boe/d	9.4	13.2

CAPITAL EFFICIENCY

On a proved reserve basis, Ventus replaced 667 percent of its production in 2000 while adding new reserves at a cost of $8.46 per proved boe. The re-investment ratio illustrates that Ventus' cash flow netback was 2.0 times its finding and development cost for proved reserves in 2000. Prior to hedging losses the re-investment ratio was 2.6 times on a proved basis and 3.4 times on a proved and probable basis.

	Proved	Proved + 1/2 Probable	Proved + Probable
Capital expenditures ($000's)	204,230	204,230	204,230
Cash flow netback ($/boe)	16.68	16.68	16.68
Reserve additions (mboe)	24,120	28,042	31,963
Finding and development cost ($/boe)	8.46	7.28	6.39
Re-investment efficiency ratio	2.0 times	2.3 times	2.6 times
Reserve replacement ratio	6.7 times	7.7 times	8.8 times

NET ASSET VALUE

Net asset value is a benchmark commonly used as an indication of the value of an oil and gas company based on a "blowdown" scenario. This analysis contemplates the winding down of operations through producing existing reserves, limiting capital spending only to that required to bring proved non-producing, proved undeveloped and probable reserves on production and liquidating all other assets including undeveloped land and seismic. This scenario does not reflect any opportunities for growth or value relating to a company's exploration program and intellectual capital, which are an important part of the going-concern value of a company.

The analysis is based on assumptions relating to future events including reservoir performance, production rates, commodity prices, currency exchange rates, operating and development costs, royalties and the regulatory and fiscal environment. Many of these factors are beyond the control of the Company and actual results may vary significantly from the assumptions.

(thousands except per share data)	Future Cash Flow From Reserves Discounted At: 10%	15%
Proved producing reserves[1]	$ 281,690	$ 245,392
Proved non-producing reserves/proved undeveloped[1]	192,927	156,831
Total proved reserves	474,617	402,223
Undeveloped land value[2]	41,325	41,325
Seismic data[3]	36,896	36,896
Working capital less properties held for sale[4]	(23,357)	(23,357)
Long-term debt[4]	(88,936)	(88,936)
Net asset value (proved reserves)	$ 440,545	$ 368,151
Probable reserves	138,693	104,424
Net asset value (proved and probable reserves)	$ 579,238	$ 472,575
Net asset value (proved and 1/2 probable reserves)	$ 509,892	$ 420,363
Outstanding shares at December 31, 2000	30,456	30,456
Per share net asset value (proved reserves)	$ 14.47	$ 12.09
Per share net asset value (proved and probable reserves)	$ 19.02	$ 15.52
Per share net asset value (proved and 1/2 probable reserves)	$ 16.74	$ 13.80

[1] Estimated present value of future cash flows from reserves before income tax as at December 31, 2000 based on escalating price and cost assumptions.

[2] Value of undeveloped landholdings as at December 31, 2000 based upon an independent evaluation report prepared by Seaton-Jordan & Associates Ltd. dated March 15, 2001.

[3] Internal estimate of value.

[4] As at December 31, 2000.

MARKETING

Natural Gas

Ventus' natural gas marketing portfolio is highly weighted to intra-Alberta markets on the NGTL system at published daily and monthly spot prices. Long-term sales obligations under aggregator contracts are limited to approximately 5.0 mmcf/d production, while "wellhead" sales to other buyers average about 1.0 mmcf/d.

Oil

Ventus' crude oil production is all high quality, light, crude oil, which is sold "at the lease" to a number of large crude oil marketing companies under short-term contracts. Ventus receives a premium over the published average Edmonton refiner postings for par crude oil, less actual transportation and quality adjustments.

Management's Discussion and Analysis

The following discussion and analysis of financial and operating results should be read in conjunction with the consolidated financial statements of Ventus contained in this annual report.

Comparison for the years ended December 31, 2000 and December 31, 1999

SELECTED FINANCIAL INFORMATION

	2000		1999	
	$000s	$/boe[1]	$000s	$/boe[1]
Production revenue	134,598	37.13	32,231	24.60
Hedging loss	(19,146)	(5.28)	(2,767)	(2.11)
Production revenue after hedging	115,452	31.85	29,464	22.49
Royalties, net of ARTC	(27,024)	(7.45)	(3,744)	(2.86)
Production expenses	(17,451)	(4.81)	(6,698)	(5.11)
Net operating income	70,977	19.59	19,022	14.52
General and administrative expense	(3,145)	(0.87)	(1,046)	(0.80)
Interest expense	(6,855)	(1.89)	(1,602)	(1.22)
Other income	259	0.07	250	0.19
Current income taxes	(787)	(0.22)	(254)	(0.19)
Cash flow from operations	60,449	16.68	16,370	12.50
Depletion, depreciation and amortization	(24,733)	(6.82)	(8,479)	(6.47)
Future income taxes	(14,712)	(4.06)	-	-
Net income	21,004	5.80	7,891	6.03

Note: [1] "boe" refers to barrels of oil equivalent where natural gas volumes are converted to oil equivalence at a ratio of 6,000 cubic feet per barrel.

PRODUCTION REVENUE

Gross production revenue after hedging increased by 292 percent from $29.5 million in 1999 to $115.5 million in 2000. This increase was due to dramatically higher production volumes and higher commodity prices which were partially offset by larger hedging losses. Oil revenues accounted for 53 percent of gross production revenue, while natural gas provided the remaining 47 percent. Oil revenues after hedging gained 164 percent from $22.8 million in 1999 to $60.1 million in 2000. Natural gas revenues after hedging increased by 725 percent from $6.7 million to $55.3 million.

md&a

PRODUCTION REVENUE

(Years ended December 31)

	2000		1999	
	$000s	**$/boe**	$000s	$/boe
Oil & NGLs	**72,266**	**42.62**	25,233	26.59
Hedging	**(12,146)**	**(7.16)**	(2,443)	(2.57)
Oil & NGL revenue after hedging	**60,120**	**35.46**	22,790	24.02
Natural gas	**62,332**	**5.38**	6,998	3.23
Hedging	**(7,000)**	**(0.60)**	(324)	(0.15)
Natural gas revenue after hedging	**55,332**	**4.78**	6,674	3.08
Production revenue after hedging	**115,452**	**31.85**	29,464	22.49

PRODUCTION

Production increased 176 percent from 3,589 boe per day in 1999 to 9,904 boe per day in 2000. Production on a boe basis was 53 percent natural gas and 47 percent oil. Average daily oil production increased 78 percent, from 2,600 bbls per day in 1999 to 4,633 bbls per day in 2000 while average daily natural gas production increased 433 percent from 5.9 mmcf per day in 1999 to 31.6 mmcf per day in 2000. Increases in production were principally a result of: (i) drilling activity at Rainbow, Boyer, Peerless and Hobbema; (ii) the business combination with Edge, effective August 11, 2000; and (iii) property acquisitions in the northern core area at Rainbow and Sousa. These increases were offset by the disposition of non-core properties.

AVERAGE DAILY PRODUCTION

(Years ended December 31)

	2000	1999	% Change
Oil & NGLs (bbl/d)	**4,633**	2,600	78
Natural gas (mmcf/d)	**31.6**	5.9	433
Oil equivalent (boe/d)	**9,904**	3,589	176

COMMODITY PRICES

The average commodity price received by Ventus before hedging increased by 51 percent, from $24.61 per boe to $37.13 per boe. The average crude oil price received increased by 60 percent, from $26.59 per bbl in 1999 to $42.62 per bbl in 2000. The increase reflected higher world oil prices, which were very strong in 2000, with the benchmark WTI price increasing 57 percent over the 1999 average price. Natural gas prices were highly volatile in 2000. The average natural gas price received by the Company ranged from a low of $2.97 per mcf for the month of January to a high of $9.38 per mcf in December. Ventus' average price in 2000 was $5.38, which was 67 percent higher than in 1999.

(Years ended December 31)	**2000**	1999	% Change
BENCHMARK PRICES			
WTI ($US/bbl)	**30.20**	19.24	57
Edmonton par ($CDN/bbl)	**44.33**	27.35	62
AECO-C Hub ($CDN/mcf)	**5.60**	2.99	87
AVERAGE VENTUS PRICES			
Oil & NGLs before hedging ($/bbl)	**42.62**	26.59	60
Oil & NGLs after hedging ($/bbl)	**35.46**	24.02	48
Gas before hedging ($/mcf)	**5.38**	3.23	67
Gas after hedging ($/mcf)	**4.78**	3.08	55
Oil equivalent before hedging ($/boe)	**37.13**	24.61	51
Oil equivalent after hedging ($/boe)	**31.85**	22.49	42

HEDGING

Ventus maintains a hedging program designed to reduce the volatility of cash flow, which underpins the Company's capital program. The Company systematically hedges up to 40 percent of its production, resulting in hedging losses in times of increasing prices and hedging gains in times of declining prices. Hedging is also used by Ventus to 'lock-in' the economics of larger acquisitions and can result in overall hedging levels greater than 40 percent.

Commodity prices increased significantly in 2000 with WTI oil prices up 57 percent and AECO gas prices up 87 percent over the 1999 averages. As a result, Ventus' hedging program in 2000 resulted in total hedging losses of $19.1 million, equivalent to $5.28 per boe.

Ventus expects a smaller impact from hedging in 2001. Under the Company's budgeted commodity prices (US$25.36 per bbl for WTI and CDN$6.77 per mcf for AECO gas), hedges currently in place for 2001 would result in a hedging loss of $14.7 million or $2.52 per boe.

ROYALTIES

Royalties, which include Crown, freehold, First Nations and overriding royalties net of Alberta Royalty Tax Credits ("ARTC") increased to 20.0 percent of gross production revenue before hedging, compared to 11.6 percent in 1999. The higher rate was principally due to increased commodity prices. ARTC decreased from $1.4 million in 1999 to $0.3 million in 2000. The reduction in ARTC received by the Company in 2000 was due to a reduced maximum benefit under the program as a result of higher commodity prices.

(Years ended December 31)	2000		1999	
	$000s	% of Production Revenue	$000s	% of Production Revenue
Crown royalty & mineral taxes	16,885	12.5	3,798	11.8
ARTC	(315)	(0.2)	(1,405)	(4.4)
Net Crown royalties	16,570	12.3	2,393	7.4
Freehold & overriding royalties	3,075	2.3	415	1.3
First Nations royalties	7,379	5.5	936	2.9
Total royalties	27,024	20.0	3,744	11.6

PRODUCTION EXPENSES

Production expenses averaged $4.81 per boe in 2000, a decrease of 6 percent from $5.11 per boe in 1999. Ventus expects these costs to be further reduced in 2001 due to the sale of higher cost non-core properties late in 2000 and the addition of incremental production in its core areas moving through the existing facilities and associated fixed costs.

GENERAL AND ADMINISTRATIVE

General and administrative ("G&A") expenses were $0.87 per boe in 2000 versus $0.80 per boe in 1999. Capitalized general and administrative costs relating to acquisition, development and exploration activities increased to $0.63 per boe in 2000 from $0.26 per boe in 1999.

(Years ended December 31)	2000		1999	
	$000s	$/boe	$000s	$/boe
G & A expense	3,145	0.87	1,046	0.80
G & A capitalized	2,271	0.63	338	0.26
Total G & A costs	5,416	1.50	1,384	1.06

Ventus expects the general and administrative costs per boe to decrease in 2001 as a result of the staffing rationalization late in 2000 following the business combination with Edge and the addition of incremental production in the Company's core areas.

INTEREST EXPENSES

Interest expense increased 328 percent to $6.9 million in 2000 compared to $1.6 million for 1999. The increase in 2000 is principally due to higher debt levels and, to a lesser extent, higher interest rates. Long-term debt increased 71 percent during the year, due to both the assumption of the long-term debt of Edge as well as using debt to finance a portion of the Company's drilling program. Although the prime rate in Canada increased during the year from 6.5 percent in January to 7.5 percent in December, current money market rates are favourable with the Company borrowing funds through bankers' acceptances. On a per boe of production basis, interest expense increased 55 percent from $1.22 to $1.89 per boe.

DEPLETION, DEPRECIATION AND AMORTIZATION EXPENSE

The depletion, depreciation and amortization rate ("DD&A") in 2000 which includes the provision for future removal and site restoration was $6.82 per boe compared to $6.47 in 1999. The full cost accounting ceiling test at year-end 2000 reflected a surplus in excess of $1.3 billion. Year-end commodity prices of $40.27 per bbl and $9.45 per mcf were used in the ceiling test calculation.

Total liabilities for future removal and site restoration were estimated at $18.8 million at year-end, an increase of $10.2 million from 1999.

INCOME TAXES

Current taxes consist of Large Corporation Tax and Saskatchewan Capital Tax. Current taxes increased from $0.3 million in 1999 to $0.8 million in 2000. The gain reflected the increased capitalization of the Company, principally through the business combination with Edge.

At December 31, 2000 the Company had estimated tax pools of $241 million available for future applications.

TAX POOLS ($ thousands)
(Years ended December 31)

	2000	1999
Undepreciated capital costs	**52,732**	17,848
Canadian exploration expenses	**7,514**	5,525
Canadian development expenses	**59,526**	14,113
Canadian oil and gas property expenses	**105,928**	83,853
Non-capital losses	**13,333**	7,795
Other	**2,193**	1,673
Total tax pools	**241,226**	130,807

CASH FLOW AND NET INCOME

Cash flow from operations increased 269 percent from $16.4 million in 1999 to $60.4 million in 2000. Cash flow per basic share increased 138 percent from $1.13 in 1999 to $2.69 in 2000. On a per boe of production basis, cash flow from operations rose 33 percent from $12.50 in 1999 to $16.68 in 2000.

Net income increased 166 percent from $7.9 million to $21.0 million while net income per share increased 71 percent from $0.55 in 1999 to $0.94 in 2000. Net income per boe of production decreased by 4 percent from $6.03 per boe in 1999 to $5.80 per boe in 2000.

Return on equity was 18 percent in 2000 compared to 19 percent in 1999.

CAPITAL EXPENDITURES

The Company's capital program of $204.2 million was dominated by the merger with Edge. This business combination was accomplished through a plan of arrangement whereby 0.375 of a common share of Ventus was exchanged for each common share of Edge and Edge became a wholly owned subsidiary of Ventus. The transaction resulted in the issuance of 11,876,977 common shares of Ventus at an ascribed value of $7.32 per share. Exploration and development expenditures increased 253 percent from $23.0 million in 1999 to $81.2 million in 2000.

The Company's planned exploration and development budget for 2001 is approximately $108 million.

CAPITAL EXPENDITURES ($ thousands)

(Years ended December 31)	2000	1999
Land and lease	**10,793**	936
Geological and geophysical	**1,511**	1,161
Drilling, completions and workovers	**43,523**	13,876
Equipment and facilities	**22,077**	6,488
Overhead and office equipment	**3,300**	564
Total exploration and development	**81,204**	23,025
Corporate acquisition	**161,464**	16,712
Property acquisitions	**19,254**	69,560
Property dispositions	**(57,692)**	(253)
Total capital expenditures	**204,230**	109,044

LIQUIDITY AND CAPITAL RESOURCES

Funds for the Company's capital investments in 2000 came from cash flow, debt and equity. Ventus raised $10.6 million, net of expenses, through the issuance of 1,125,000 common shares in 2000. In addition, the Company issued 11,876,977 common shares valued at $86.9 million to complete the business combination with Edge.

At year-end, Ventus had credit facilities with a Canadian chartered bank for $140.0 million. The facility was broken down into two components, a revolving loan facility with a borrowing commitment of $130.0 million and a bridge loan for $10.0 million. Both components of the credit facility bear the Bank's prime lending rate.

On April 9, 2001, a new credit facility replaced the year-end credit facility. The new credit facility is comprised of a revolving loan facility with a borrowing commitment of $140.0 million and bears interest that approximates the Bank's prime lending rate. The facility is subject to review on or before June 29, 2001.

The Company has a convertible debenture with a face value of $3.0 million, which bears interest at 9 percent. This convertible debenture matures and is redeemable on October 1, 2001. The conversion price is the greater of $24.00 per common share or the average trading price of the common shares determined over the 60-day period preceding the date of notice of conversion.

A substantial amount of the Company's capital spending is discretionary in nature. The Company generally has a high working interest and operatorship of its major properties. Therefore, the Company can control the timing of expenditures to match financial resources. The Company also engages in commodity price hedging in order to reduce the volatility of cash flow available for its capital program.

BUSINESS RISKS

The business of exploring, developing, acquiring and producing oil and natural gas is subject to a variety of operational, financial and regulatory risks.

Operational risks include finding and developing oil and natural gas reserves on an economic basis, reservoir production performance, marketing, production, hiring and retention of employees and accessing contract services on a cost-effective basis. Ventus mitigates these risks by employing a team of highly qualified professionals with a compensation system that rewards performance and by developing long-term relationships with contract service providers. The Company maintains an insurance program consistent with industry practice to protect against destruction of assets, well blowouts, pollution and other business interruptions. The Company generally follows a strategy of acquiring and exploiting producing assets and maximizing these assets through relatively lower risk step-out exploration. Ventus makes appropriate use of advanced technology, such as three-dimensional seismic, to reduce the risk of its drilling programs.

Financial risks include commodity prices, interest rates and the Canada/U.S. dollar exchange rate, all of which are beyond the control of Ventus. Ventus' approach to management of these risks is to maintain a prudent level of debt and a strong financial position to fund exploration and development activities and acquisitions through fluctuations in these variables. Ventus uses financial instruments to manage exposures related to petroleum and natural gas prices, interest rates and exchange rates. Such financial instruments are not used by Ventus for trading or speculative purposes. The Company's earnings and cash flow from operations are highly sensitive to changes in factors that are beyond its control. An estimate of the Company's sensitivities to changes in commodity prices, exchange rates and interest rates is summarized below based on results for the year ended December 31, 2000:

	Cash Flow From Operations		Income	
	$000s	$/share	$000s	$/share
Change of $0.10/mcf in the price of natural gas	865	0.04	479	0.02
Change of $U.S. 1.00/bbl in the WTI crude oil price	1,787	0.08	989	0.04
Change of $U.S. 0.01 in the U.S./Canada exchange rate	1,006	0.04	557	0.02
Change of 1 percent in interest rates	809	0.04	448	0.02

Government regulation has an impact on all aspects of the business of the Company, including environmental regulation. Changes in government regulation with respect to taxation, royalties and environmental and safety regulation are beyond the control of the Company. Ventus mitigates risks with respect to environmental and safety matters by taking a proactive approach including conducting environmental reviews with respect to all material acquisitions, construction of modern facilities which meet or exceed current environmental standards and enforcing high safety standards with respect to its employees and contractors. Ventus also has an operational emergency response plan in place and is in substantial compliance with current environmental legislation. As well, the Company has significant financial exposure related to the future costs of abandoning and restoring producing properties and facilities at the end of their economic life. The Company has estimated total future costs for abandonment and restoration to be $18.8 million of which $4.5 million has been accrued and is reported as a liability.

Management's Report

TO THE SHAREHOLDERS OF VENTUS ENERGY LTD.:

The preparation of the financial statements and all other information included in the Annual Report is the responsibility of management. Further, management is satisfied that the financial and operating information provided is consistent with the financial statements.

Management maintains internal control systems which ensure commitments are properly authorized, assets are safeguarded and facilitate the preparation of relevant, reliable and timely information.

External auditors, appointed by the shareholders, have examined the financial statements and the accounting records that support them. The Audit committee, consisting of non-management directors, has reviewed the financial statements with management and the auditors and has reported to the Board of Directors. The Board has approved the financial statements.

Mark D. Behrman
Executive Vice President
and Chief Financial Officer

Brett Herman
Controller

Auditors' Report

TO THE SHAREHOLDERS OF VENTUS ENERGY LTD.:

We have audited the consolidated balance sheets of Ventus Energy Ltd. as at December 31, 2000 and 1999 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Calgary, Alberta
February 23, 2001

Consolidated Balance Sheets

As at December 31
($ thousands)

	2000	1999
ASSETS		
Current		
Cash (Note 6)	**9,500**	52
Accounts receivable	**30,445**	7,709
Properties held for sale (Note 2)	**27,500**	-
	67,445	7,761
Property and equipment (Notes 3 and 4)	**313,369**	130,794
	380,814	138,555
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**50,302**	14,699
Current portion of long-term debt (Note 5)	**13,000**	-
	63,302	14,699
Long-term debt (Note 5)	**88,936**	59,778
Future removal and site restoration (Note 4)	**4,529**	1,196
Future income taxes (Note 7)	**48,148**	3,493
	204,915	79,166
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**145,388**	51,657
Retained earnings	**30,511**	7,732
	175,899	59,389
	380,814	138,555

APPROVED BY THE BOARD

Director

Director

Consolidated Statements of Income and Retained Earnings

For the years ended December 31
($ thousands, except share and per share amounts)

	2000	1999
REVENUE		
Petroleum and natural gas sales	**115,452**	29,464
Royalties, net of Alberta Royalty Tax Credits	**(27,024)**	(3,744)
Interest and other	**259**	250
	88,687	25,970
EXPENSES		
Production	**17,451**	6,698
General and administrative	**3,145**	1,046
Interest on long-term debt	**6,855**	1,602
Depletion, depreciation and amortization	**24,733**	8,479
	52,184	17,825
INCOME BEFORE TAXES	**36,503**	8,145
TAXES (Note 7)		
Capital taxes	**787**	254
Future income taxes	**14,712**	-
	15,499	254
NET INCOME	**21,004**	7,891
RETAINED EARNINGS (deficit), BEGINNING OF YEAR	**7,732**	(159)
Adjustment for change in accounting policy (Note 7)	**1,775**	-
RETAINED EARNINGS, END OF YEAR	**30,511**	7,732
Net income per common share		
- Basic	**0.94**	0.55
- Fully diluted	**0.88**	0.50
Weighted average number of common shares outstanding		
- Basic	**22,432,708**	14,460,237
- Fully diluted	**24,325,432**	16,126,797

Consolidated Statements of Cash Flows

For the years ended December 31
($ thousands, except share and per share amounts)

	2000	1999
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net income	**21,004**	7,891
Items not affecting cash		
Depletion, depreciation and amortization	**24,733**	8,479
Future income taxes	**14,712**	-
Cash flow from operations	**60,449**	16,370
Changes in non-cash operating working capital items	**(1,746)**	1,788
	58,703	18,158
FINANCING		
(Decrease) increase in long-term debt	**(14,388)**	55,408
Common shares issued for cash, net of expenses (Note 6)	**10,609**	24,654
	(3,779)	80,062
INVESTING		
Corporate acquisitions (Note 3)	**(161,464)**	(16,712)
Items not affecting cash		
Shares issued on acquisition	**86,939**	5,760
Long-term debt assumed	**56,546**	4,370
Working capital deficiency acquired	**15,269**	477
	(2,710)	(6,105)
Property and equipment expenditures	**(81,204)**	(23,025)
Property acquisitions	**(19,254)**	(69,560)
Property dispositions	**57,692**	253
	(45,476)	(98,437)
NET INCREASE (decrease) IN CASH	**9,448**	(217)
CASH, BEGINNING OF YEAR	**52**	269
CASH, END OF YEAR	**9,500**	52
Cash flow from operations per common share		
- Basic	**2.69**	1.13
- Fully diluted	**2.51**	1.03

Notes to the Consolidated Financial Statements

For the years ended December 31, 2000 and 1999
(All tabular amounts are in $ thousands except share and per share amounts)

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements include the accounts of Ventus Energy Ltd. ("Ventus") its wholly owned subsidiary Edge Energy Inc. ("Edge"), and a wholly-owned oil and gas partnership, Ventus Energy Partnership (collectively "the Company").

Full cost accounting

The Company follows the full cost method of accounting whereby all costs relating to the exploration for and development of petroleum and natural gas reserves are capitalized in one Canadian cost centre and charged against income, as set out below. Such costs include land acquisition, drilling, geological and geophysical, production facilities and overhead expenses related to exploration and development activities. These costs are depleted and depreciated on a unit of production method using estimated gross proven petroleum and natural gas reserves as determined by independent engineers. For purposes of this calculation, petroleum and natural gas reserves are converted to a common unit of measurement on the basis of their relative energy content where six thousand cubic feet of gas equates to one barrel of oil. Costs of acquiring and evaluating unproven properties are excluded from costs subject to depletion and depreciation until it is determined whether proven reserves are attributable to the properties or impairment occurs. Costs of production facilities are depreciated on a unit of production basis.

Gains or losses on sales of properties are recognized only when crediting the proceeds to costs would result in a change of 20 percent or more in the depletion rate.

The net amount at which petroleum and natural gas properties are carried is subject to a cost recovery test (the "ceiling test"). Under this test, an estimate is made of the ultimate recoverable amount from future net revenues using proven reserves and year-end prices, plus the net costs of major development projects and unproven properties, less future removal and site restoration costs, overhead, financing costs and income taxes. If the net carrying costs exceed the ultimate recoverable amount, additional depletion and deprecation is provided.

Provision for future removal and site restoration costs

Estimates are made of the future removal and site restoration costs relating to the Company's petroleum and natural gas properties at the end of their economic life, based on year-end values, in accordance with current legislative requirements and industry practice. Annual charges are provided for on a unit of production method. Actual expenditures incurred are applied against the provision for future removal and site restoration costs.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates. Exchange gains or losses are included in income in the year incurred.

Measurement uncertainty

The amounts recorded for depletion, depreciation and amortization are based on estimates of reserves and future costs. By their nature, these estimates and those related to the assessment of future cash flows used to assess impairment, are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

Joint interests

A portion of the Company's exploration, development and production activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

Flow-through shares

The Company has financed a portion of its exploration and development activities through the issue of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to the subscribers. Share capital is reduced and future income tax liability is increased by the estimated cost of the renounced tax deductions.

Financial instruments

The Company periodically utilizes certain financial instruments to reduce exposures related to petroleum and natural gas prices and foreign exchange fluctuations on a portion of its crude oil and natural gas production. Gains and losses realized on these transactions are recognized in revenue concurrently with the hedged transaction.

Future income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws that are currently in effect when the differences are expected to reverse.

Stock-based compensation

The Company has stock-based compensation plans, which are described in Note 6. No compensation expense is recognized for these plans when stock options are issued to employees. Any consideration paid by employees upon exercise of stock options is credited to share capital. The costs related to stock appreciation rights are accrued over the period to which they relate and are accounted for as an expense.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. PROPERTIES HELD FOR SALE

During the fourth quarter of 2000, the Company commenced a program of divestiture in which the Company actively made available for sale a number of its petroleum and natural gas properties. As at December 31, 2000, a total of $27,500,000 of such transactions were in various stages of completion. Costs equivalent to the aggregate of this amount have been classified from property and equipment to properties held for sale at December 31, 2000. Subsequent to year-end, these proceeds were received and applied to the outstanding bank debt.

3. BUSINESS COMBINATIONS

Acquisition of Edge Energy Inc.

On August 11, 2000, pursuant to a plan of arrangement, the Company entered into a business combination with Edge, a public company with petroleum and natural gas properties located in western Canada. In August 2000, the Company issued 11,876,977 common shares at a rate of 0.375 common shares for each Edge common share.

The business combination was accounted for using the purchase method of accounting as follows:

	$
Consideration given:	
Issue of 11,876,977 common shares at $7.32 per share	86,939
Transaction costs	2,710
	89,649
Allocation of purchase price:	
Property and equipment	187,920
Future income taxes	(24,134)
Future removal and site restoration	(2,322)
Net property and equipment	161,464
Working capital deficiency	(15,269)
Long-term debt	(56,546)
	89,649

Acquisition of Talon Petroleums Ltd.

On August 31, 1999, the Company acquired all of the issued and outstanding shares of Talon Petroleums Ltd. ("Talon"), a public company involved in the exploration, development and production of oil and gas in western Canada. Ventus and Talon were subsequently amalgamated on September 1, 1999.

The acquisition was accounted for using the purchase method of accounting as follows:

	$
Consideration given:	
Cash	5,765
Transaction costs	340
Total cash consideration	6,105
Non-cash - issue of 822,859 common shares at $7.00 per share	5,760
	11,865
Allocation of purchase price:	
Property and equipment	17,016
Future income taxes	(182)
Future removal and site restoration	(122)
Net property and equipment	16,712
Working capital deficiency	(477)
Long-term debt	(4,370)
	11,865

4. PROPERTY AND EQUIPMENT

	Cost $	Accumulated Depletion, Depreciation and Amortization $	**Net Book Value $**
December 31, 2000			
Petroleum and natural gas properties	**353,950**	**40,581**	**313,369**
December 31, 1999			
Petroleum and natural gas properties	147,497	16,703	130,794

At December 31, 2000, $64,238,000 (1999 - $18,255,000) of costs relating to unproved properties were excluded from costs subject to depletion.

During 2000, $2,271,000 (1999 - $339,000) of general and administrative expenses relating to exploration and development activities were capitalized.

A provision of $1,010,000 was recorded for future removal and site restoration for the year ended December 31, 2000 (1999 - $556,000) and was included in depletion, depreciation and amortization expense.

5. LONG-TERM DEBT

a) Bank debt

The Company has a revolving loan facility provided by a Canadian chartered bank. The interest rate on outstanding debt varies but approximates the Bank's prime lending rate. The facility is secured by a charge over all of the Company's assets. The facility is subject to annual review and includes a borrowing commitment of $130,000,000 (1999 - $65,000,000) under which $88,936,000 was drawn down at December 31, 2000 (1999 - $59,778,000). In addition, the Company has a $10,000,000 bridge loan available from the same bank that bears interest that approximates the Bank's prime lending rate. The full amount of the indebtedness under the bridge facility is due and payable on demand. In absence of demand, the bridge facility will be reduced by $5,000,000 on May 1, 2001 and will be due and payable on June 1, 2001. The full amount was drawn under the bridge facility at December 31, 2000 and has been classified as a current liability.

b) Convertible bond

The Company has a convertible bond with a face value of $3,000,000 bearing interest at 9% per annum, matures and is redeemable on October 1, 2001. The bond is convertible by the holders into common shares of the Company after October 1, 1997 based on a conversion price which shall be the greater of $24.00 per common share or the average trading price of the common shares determined over the 60 day period preceding the date of notice, adjusted for the maximum discount currently permitted under the bylaws of regulatory agencies. The bond is unsecured and is subordinated to the revolving loan and bridge facility. The fair market value of the convertible bond at December 31, 2000 approximated its carrying value. At December 31, 2000, the convertible bond has been classified as a current liability.

6. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares.

b) Issued and outstanding

	2000		1999	
	Number of Shares	Amount $	Number of Shares	Amount $
Balance, beginning of year	**17,387,796**	**51,657**	12,709,076	24,730
Stock options exercised	**66,377**	**333**	23,250	69
Public offerings	**-**	**-**	3,000,000	18,000
Issued pursuant to merger with Edge Energy Inc. (Note 3)	**11,876,977**	**86,939**	-	-
Issued on acquisition of Scarlet Exploration Inc. (fractional shares)	**-**	**-**	370	-
Issued on acquisition of Talon Petroleums Ltd.(Note 3)	**-**	**-**	822,859	5,760
Flow-through shares issued	**1,125,000**	**10,431**	832,241	7,925
Share issue costs	**-**	**(155)**	-	(1,340)
Tax effect on renounced expenditures	**-**	**(3,817)**	-	(3,487)
Balance, end of year	**30,456,150**	**145,388**	17,387,796	51,657

On December 27, 2000, the Company issued 1,000,000 flow-through common shares at $9.50 per share, for aggregate proceeds of $9,500,000 ($4,978,000 net of commission of $285,000 and income tax benefits to be renounced to shareholders of $4,237,000). The funds were held in trust at December 31, 2000 and were released to the Company in early January 2001.

As part of an employment contract with an officer and director of the Company, 125,000 flow-through common shares at $7.45 per share were issued on July 24, 2000. Such shares will vest over a three-year period, conditional upon continued employment.

On November 18, 1999, the Company issued 750,000 flow-through common shares at $10.00 per share, for aggregate proceeds of $7,500,000 ($3,900,000 net of commission of $300,000 and income tax benefits to be renounced to shareholders of $3,300,000). Two other flow-through share issues were completed during 1999 for aggregate proceeds of $425,004 ($238,004 net of income tax benefits to be renounced to shareholders of $187,000). In total, 832,241 flow-through common shares were issued in 1999 for gross proceeds of $7,925,004. All of the tax benefits were renounced at December 31, 1999 with $1,400,000 of the qualifying expenditures incurred in 1999 and the balance of $6,525,004 incurred in 2000.

On July 26, 1999, the Company issued 3,000,000 common shares pursuant to a public offering at a price of $6.00 per share for aggregate proceeds of $18,000,000 ($16,960,103 net of issue expenses).

In accordance with the terms of the Company's various flow-through share offerings, and pursuant to certain provisions of the Income Tax Act (Canada), the Company committed to renounce, for income tax purposes, exploration expenditures related to the purchases of its flow-through shares in the aggregate of $10,431,000 (1999 - $7,925,000). At December 31, 2000, $10,431,000 (1999 - $7,525,000) are yet to be expended under these agreements.

c) Stock options

Under the terms of the Company's stock option plan, options to purchase shares may be granted to employees, consultants and directors at an exercise price as determined by the Board of Directors. All outstanding options are granted for a five-year term. The total number of options outstanding must not exceed 10% of the total common shares outstanding. The Company's stock option plans include two types of options, traditional and incentive options. The difference between the two types of options is their vesting provisions. Traditional options vest over time, whereas incentive options vest when cash flow per share reaches a target amount.

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 1998	700,750	$ 2.43
Granted	717,000	$ 5.53
Exercised	(23,250)	$ 2.97
Outstanding, December 31, 1999	1,394,500	$ 4.01
Granted	1,973,625	$ 7.57
Exercised	(66,377)	$ 5.01
Cancelled	(524,498)	$ 7.44
Outstanding, December 31, 2000	2,777,250	$ 5.91

The following table summarizes information about the stock options outstanding at December 31, 2000:

Range of Exercise Prices	Number Outstanding at Dec 31, 2000	Weighted Average Remaining Term	Weighted Average Exercise Price	Number Exercisable at Dec 31, 2000	Weighted Average Exercise Price
$ 2.12 - $ 5.00	815,625	2.9 years	$ 2.61	353,984	$ 2.48
$ 5.01 - $ 7.00	780,000	3.5 years	$ 6.27	103,664	$ 6.11
$ 7.01 - $ 9.67	1,181,625	4.0 years	$ 7.95	109,531	$ 8.03

d) Stock appreciation rights

Under an employment contract with a senior officer of the Company, a total of 125,000 stock appreciation rights have been granted at an exercise price of $2.12 per share. Subject to vesting, the "Rights" are structured allowing the holder to purchase shares of the Company equal to the market price on the date the Right was granted. The Rights vest when certain share prices are reached for 20 consecutive days. One third of the rights were vested at December 31, 1999, with the remainder vesting equally at market prices of $10.00 and $12.00 per share. Unexercised rights expire on December 31, 2002.

7. INCOME TAXES

Effective January 1, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Under the new recommendations, the liability method is used, based on differences between financial reporting and tax bases of assets and liabilities. The new method was applied retroactively without restatement of the 1999 financial statements.

The effect of the new recommendations on the opening 2000 financial statements was to increase the following:

	$
Property and equipment	3,766
Future income tax liability	1,156
Share capital	835
Retained earnings	1,775

Had the previous deferred income tax method been followed, net earnings for 2000 would have been reduced by $3,838,000.

The components of the future income tax liability at December 31, 2000 are as follows:

	$
Future income tax liabilities	
Property and equipment	52,310
Future income tax benefits	2,020
Site restoration	2,142
Net future income tax liability	48,148

The provision for income taxes differs from the result that would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rates to income before income taxes. This difference results from the following:

	2000 $	1999 $
Income before taxes	**36,503**	8,145
Expected income taxes at the statutory rate of 44.6%	**16,280**	3,633
Increase (decrease) in taxes resulting from:		
Crown royalties, (net of ARTC)	**7,417**	1,180
Resource allowance	**(8,849)**	(2,128)
Other	**(136)**	192
	14,712	2,877
Utilization of deferred tax benefits not previously recognized	**-**	(2,877)
Future income taxes	**14,712**	-
Capital taxes	**787**	254
Provision for income taxes	**15,499**	254

In 1999, there was no provision for income taxes as the Company had unrecorded tax benefits carried forward from prior years that were applied against the provision.

8. FINANCIAL INSTRUMENTS

The carrying value of the Company's accounts receivable, accounts payable and accrued liabilities approximates fair value due to the short term nature of these balances. The Company's bank debt bears interest at a floating market rate, accordingly, no difference exists between the fair value and the carrying value.

9. SUPPLEMENTARY CASH FLOW INFORMATION

The following net cash payments have been included in the determination of income:

	2000 $	1999 $
Interest paid	**9,171**	213
Taxes paid	**241**	60

10. HEDGING CONTRACTS

The nature of the Company's operations results in exposure to fluctuations in commodity prices, exchange rates and interest rates. The Company monitors and, when appropriate, utilizes derivative financial instruments to hedge its exposure to these risks. In 2000, petroleum and natural gas sales were reduced by $19,146,000 due to crude oil and natural gas hedging activities.

At December 31, 2000, the Company had contracts for the following:

	Period	Volume	Hedged Price	Index
Oil price swap	Calendar 2001	1,500 bbl/d	US $22.15	WTI
	Calendar 2001	500 bbl/d	US $25.07	WTI
	Calendar 2001	1,000 bbl/d	US $25.15	WTI
	Calendar 2001	89 bbl/d	CDN $ 26.79	WTI
	Calendar 2002	1,700 bbl/d	US $21.00	WTI
	Calendar 2002	76 bbl/d	CDN $ 27.88	WTI
	Calendar 2003	67 bbl/d	CDN $ 28.86	WTI
Oil price collars	Calendar 2001	500 bbl/d	Floor CDN $33.75 Ceiling CDN $ 40.47	WTI
	Calendar 2001	250 bbl/d	Floor CDN $33.70 Ceiling CDN $ 40.50	WTI
Put options	Jan 1 - June 30, 2001	1,500 bbl/d	Floor US $32.47 Premium US $2.945	WTI
Gas price swap	April 1 - Oct 31, 2001	10,000 GJ/d	CDN $2.878	AECO
	Nov 1, 2001 - Mar 31, 2002	10,000 GJ/d	CDN $3.290	AECO
Gas price collars	Nov 1, 2000- Mar 31, 2001	2,500 GJ/d	Floor CDN $3.50 Ceiling CDN $ 4.40	AECO
	Nov 1, 2000- Mar 31, 2001	2,500 GJ/d	Floor CDN $3.50 Ceiling CDN $ 4.40	AECO
	April 1 - Oct 31, 2001	2,500 GJ/d	Floor CDN $3.10 Ceiling CDN $ 3.66	AECO
	April 1 - Oct 31, 2001	2,500 GJ/d	Floor CDN $3.10 Ceiling CDN $ 3.70	AECO
Put options	Nov 1, 2000 - Mar 31, 2001	15,000 GJ/d	Floor CDN $4.25 Premium CDN $0.24	AECO
	Jan 1 - Mar 31, 2001	5,000 GJ/d	Floor CDN $5.38 Premium CDN $0.25	AECO
	April 1 - Oct 31, 2001	15,000 GJ/d	CDN $6.00 Premium CDN $0.25	AECO

11. RELATED PARTY TRANSACTIONS

During 1999, the Company paid interest and structure fees totalling $328,000 under a short-term bridge loan from a Director of the Company under terms and interest rates consistent with the Company's banking facilities. The short-term bridge loan was repaid in full in November, 1999.

12. CONTINGENCIES

The Company is party to various outstanding claims arising from the normal course of business. In management's opinion, none of the claims, either individually or in total, are expected to have a material impact on the Company's operations or financial position.

13. SUBSEQUENT EVENT

On January 30, 2001, the Company closed a transaction to acquire certain petroleum and natural gas properties for $9,750,000.

Corporate Information

DIRECTORS

Ed Chwyl, *Chairman*

Mark D. Behrman

Kevin A. Bennett

John A. Brussa

Raymond T. Chan

M. Bruce Chernoff

James W. Davie

Kenneth L. McNeill

OFFICERS

Kenneth L. McNeill, *C.E.O.*

Kevin A. Bennett, *President and C.O.O.*

Mark D. Behrman, *Executive Vice President and C.F.O.*

James S. Artindale, *Vice President, Business Development*

James M. Broughton, *Vice President, Engineering*

James A. Campbell, *Vice President, Exploration*

Thomas G. Rafter, *Vice President, Land*

Brett Herman, *Controller*

AUDITORS

Deloitte & Touche, LLP
Calgary, Alberta

BANKER

Bank of Montreal
Calgary, Alberta

LEGAL COUNSEL

Burnet, Duckworth & Palmer
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

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ABBREVIATIONS USED IN THIS ANNUAL REPORT

AECO	AEC Storage and Hub Services
API	American Petroleum Institute
ARTC	Alberta Royalty Tax Credit
Bbl	barrel
Bbls/d	barrels per day
BOE	barrels of oil equivalent wherein natural gas is equated to oil using 6 Mcf = 1 barrel of oil
BOE/D	barrels of oil equivalent per day
$CDN	Canadian dollars
GJ	gigajoules
Mbbls	thousand barrels
MBOE	thousand barrels of oil equivalent
MMBOE	million barrels of oil equivalent
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mmbtu	million British Thermal Units
Mmcf	million cubic feet
Mmcf/d	million cubic feet per day
NGLs	natural gas liquids
WTI	West Texas Intermediate
WTI Nymex	daily average settlement for near month WTI contract as traded on the New York Mercantile Exchange

The cover and inside photographs are prime examples of photographer Jack Barrie's longstanding fascination with bald eagles. The late Mr. Barrie had taken more than 20,000 pictures of bald eagles in the Pacific Northwest, Alaska and Canada, and his work has been widely published in magazines and books. Jack Barrie's son Brad is a Senior Geologist with Ventus.

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